

Message Text

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11

ACTION EA-14

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 INT-08 SCEM-02 DRC-01 /208 W

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P R 021008Z NOV 73

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC PRIORITY 7377

INFO AMEMBASSY BANGKOK

AMEMBASSY DACCA

AMEMBASSY JAKARTA

AMCONSUL HONG KONG

AMEMBASSY NEW DELHI

AMEMBASSY SINGAPORE

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E.O. 11652: GDS

TAGS: ENRG BM

SUBJECT: BURMESE OFFSHORE OIL EXPLORATION

REF: RANGOON 2549 NOTAL

1. SUMMARY: MOC HAS INVITED ABOUT 20 COMPANIES TO SEND REPRESENTATIVES TO PICK UP MOC DRAFT PRODUCTION-SHARING AGREEMENT, WITH A VIEW TO PROVIDING FINAL OFFERS AND COMMENTS ON DRAFT BEFORE RESUMING LAST STAGE OF NEGOTIATIONS IN EARLY DECEMBER. MOC HOPES SIGN 7 CONTRACTS IN JANUARY. COMPANIES SELECTED FOR SECOND ROUND ARE MAINLY LARGE ONES. MAJOR FACTOR IN FINAL DECISION WILL BE SPEED WITH WHICH CONTRACTORS CAN BEGIN WORK. END SUMMARY.

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WM MYANMA OIL CORPORATION HAS INVITED ABOUT 20 COMPANIES

(OUT OF 38 WHICH SUBMITTED PROPOSALS) TO SEND REPRESENTATIVES TO RANGOON TO PICK UP MOC FIRST DRAFT OF PRODUCTION-SHARING AGREEMENT. SOME DOUBT EXISTS AS TO EXACT NUMBER: MOC MANAGING DIRECTOR DR. AUNG KHIN WOULD SAY ONLY "LESS THAN 20," WHILE MINISTER OF MINES INDICATED TO AMBASSADOR "20" COMPANIES INVITED. ACCORDING TO ANOTHER REPORT, 19 HAVE BEEN SELECTED; WE SUSPECT THIS IS CORRECT FIGURE AND MINISTER WAS TALKING IN ROUND NUMBERS.

3. AUNG KHIN SAID "ABOUT 12" OF SECOND-ROUND PARTICIPANTS ARE U.S. COMPANIES. HE NAMED OR CONFIRMED AMOCO, GULF, EXXON, UNION OIL, TEXAS PACIFIC, CALTEX, NATOMAS, MONSANTO, SUN OIL, ARCO, CONOCO, AND WE HAVE LEARNED ELSEWHERE THAT READING & BATES AND SANTA FE MINERALS WERE INCLUDED. THIS TOTAL OF 13 U.S. COMPANIES IS NOT NECESSARILY EXHAUSTIVE. AMONG FOREIGN COMPANIES, WE HAVE LEARNED THAT ONE AUSTRALIAN FIRM (EITHER BHP OR CONZINC RIO TINTO) IS INCLUDED, AND WE ASSUME THAT JAPANESE CONSORTIUM AND DEMINEX/ELF/ERAP/ENI ARE ALSO ON SHORT LIST.

4. COMMENTING ON SELECTION CRITERIA, MINISTER OF MINES SAID GUB PREFERENCE WAS FOR LARGE COMPANIES, ON THEORY THAT SUCH COMPANIES HAVE MAXIMUM TECHNICAL RESOURCES AND ARE LESS LIKELY TO BE SUBJECT TO UNFORESEEN DELAYS. HE EMPHASIZED THAT A MAJOR FACTOR IN FINAL SELECTION WILL BE SPEED WITH WHICH COMPANIES CAN BEGIN OPERATIONS.

5. AUNG KHIN SAID FINAL SELECTION WILL CONSIST OF SEVEN COMPANIES WITH WHICH PRODUCTION-SHARING CONTRACTS WILL BE SIGNED. (COMMENT: WE WOULD EXPECT THIS FIGURE MIGHT VARY SLIGHTLY AS RESULT OF SUBSEQUENT NEGOTIATIONS.) HE INDICATED PRESENT MOC TARGET FOR SIGNING CONTRACTS IN MIDDLE OF LATE JANUARY.

6. REVISED TERMS AND CONDITIONS HANDED TO COMPANIES INCLUDE FOLLOWING KEY POINTS: (A) THREE-YEAR EXPLORATION PERIOD WITH POSSIBLE EXTENSION; (B) 20-YEAR PRODUCTION PERIOD FROM DATE OF COMMERCIAL PRODUCTION; (C) 40 PERCENT COST RECOVERY; (D) PROFIT OIL TO BE SHARED 70-30 WITH MOC SHARE RISING WITH DIFFERENT LEVELS OF PRODUCTION; (E) PRODUCTION BONUSES OF \$1 MILLION ON DISCOVERY; \$3 MILLION AT 30,000 BPD, \$5 MILLION AT 100,000 BPD, \$10 MILLION AT 200,000 BPD. COPIES WILL BE POUCHED NEXT WEEK TO ADDRESSEES. AUNG KHIN ASKED THAT THESE DETAILS NOT BE DIVULGED LIMITED OFFICIAL USE

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TO OTHER GOVERNMENTS.

7. AUNG KHIN SAID GUB TAX LEGISLATION WILL BE REVISED TO PROVIDE EQUITABLE TREATMENT FOR COMPANIES OPERATING UNDER PRODUCTION-SHARING CONTRACTS, AND MAKE OPERATIONS IN BURMA FEASIBLE FOR FOREIGN, ESPECIALLY U.S., COMPANIES. HE STRESSED COMPLICATIONS OF PROBLEM, BUT NOTED REVISION OF BURMESE TAX LAW WILL APPLY TO PRODUCTION-SHARING IN OTHER SECTORS SUCH AS MINING.

8. FOREGOING MAY BE SHARED IN CONFIDENCE WITH INTERESTED US
COMPANIES.
MARTIN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 02 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973RANGOO02577
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: RANGOON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731158/aaaabqrk.tel
Line Count: 119
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: RANGOON 2549 NOTAL
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Jul-2001 by kellew0>; APPROVED <13-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BURMESE OFFSHORE OIL EXPLORATION
TAGS: ENRG, BM
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005